

Message Text

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43

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

DODE-00 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 SAM-01 OES-03 SP-02 SS-15

STR-04 TRSE-00 PA-01 PRS-01 /094 W

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O R 291208Z JAN 76

FM AMEMBASSY MADRID

TO SECSTATE WASHDC IMMEDIATE 4432

USMISSION OECD PARIS IMMEDIATE

INFO AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY BERN

AMEMBASSY STOCLHOLM

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY VIENNA

AMEMBASSY ANKARA

AMEMBASSY WELLINGTON

AMEMBASSY OSLO

USMISSION USEC BRUSSELS

C O N F I D E N T I A L MADRID 0688

E.O. 11652: GDS

TAGS: EGEN, IEA, SP

SUBJ: IEA LONG-TERM COOPERATIVE PROGRAM

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REF: STATE 18883, 12373

1. BEGIN SUMMARY. EMBOFF SAW CHAVARRI JAN 27 AND BROUGHT UP CONSIDERATIONS SET FORTH PARAS 2-4, STATE 18883. CHAVARRI SAID HIS GOVERNMENT HAD TWO SERIOUS RESERVATIONS CONCERNING IEA LONG-TERM AGREEMENT, WHICH HAD BEEN STRONGLY REEMPHASIZED IN INTERDEPARTMENTAL COMMITTEE MEETING AFTER DISCUSSIONS REPORTED IN MADRID 463. OTHER MINISTRY REPS NOT AVAILABLE FOR DISCUSSIONS WITH EMBOFFS DUE LAST-MINUTE SCHEDULING DIFFICULTIES. END SUMMARY.

2. EMBOFF CALLED ON TOMAS CHAVARRI, SUBDIRECTOR GENERAL FOR MULTILATERAL ECONOMIC RELATIONS IN SPANISH FOREIGN MINISTRY JAN 27 TO DISCUSS IEA LONG-TERM PROGRAM PER STATE 18883. CHAVARRI TOLD EMBOFF SPAIN ACCEPTS OBJECTIVES OF THE PROGRAM, BUT HAS SOME DOUBTS ABOUT PARTICULARS SINCE SPAIN IS VERY DEPENDENT ON ARAB OIL. HE NOTED CONCERN IN GOS THAT SITUATION MIGHT ARISE IN THE FUTURE WHEN GOS WOULD BE OBLIGED TO LOSE CONSIDERABLE SUMS TO SUPPORT MSP. IN EXAMPLE HE GAVE, WITH AN MSP OF \$7 HE FORESAW A TIME WHEN SPAIN MIGHT BE OBLIGED TO PURCHASE OIL AT \$9 FROM AN IEA MEMBER TO SUPPORT THE PROGRAM, AND THEN TO SELL IT DOMESTICALLY AT \$7. (CHAPTER III, D 1 OF IEA/GB (75)81, SECOND REVISION.) UNDER THESE CIRCUMSTANCES, SPAIN MIGHT VERY WELL LOSE DOUBLY, FIRST BY HAVING TO BUY OIL AT HIGHER PRICES THAN COULD BE HAD FROM OPEC COUNTRIES AND SECONDLY BY SELLING IT AT A LOSS ON ITS OWN DOMESTIC MARKET. CHAVARRI ADDED THAT OTHER MINISTRY REPRESENTATIVES BELIEVED NORTH SEA OIL PRODUCTION COSTS ARE MUCH HIGHER THAN THOSE PREVAILING IN OPEC COUNTRIES. FOR THIS REASON, THAT OIL WILL INEVITABLY BE MORE EXPENSIVE.

3. CHAVARRI WENT ON TO SAY THAT GOS OFFICIALS REALIZE IMPORTANCE OF REQUIREMENT NOT TO ENCOURAGE NON IEA OIL IMPORTS, BUT IN ORDER TO MAKE SUCH A REQUIREMENT MORE PALATABLE DOMESTICALLY THEY WOULD LIKE SOME KIND OF ASSURANCES DESIGNED TO AVOID UNDUE COST TO IEA MEMBER NATIONS TO THE EFFECT THAT IF THE APPLICATION OF THE LONG-TERM PROGRAM WILL CAUSE SERIOUS INCONVENIENCES IN THE ECONOMY OF SOME OF THE PARTICIPATING COUNTRIES, THE GOVERNING BOARD WILL CONSIDER SOME COMPENSATORY MEASURES WHICH WOULD MAKE CONFIDENTIAL

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IT POSSIBLE TO OVERCOME THEM, BASED ON THE PRINCIPLE OF A PERMANENT BALANCE BETWEEN COSTS AND BENEFITS.

4. ALSO DIFFICULT FOR SPAIN IN CHAVARRI'S VIEW IS CHAPTER 5 OF THE PROGRAM. HE STATED THA NO ONE IN GOS SUPPOSES THAT ANY LANGUAGE THERE COULD IMPLY THE POOSIBILITY OF CAMPSA'S ABOLISHMENT. PORBLEM CHAVARRI TOLD EMBOFF IS SEEN IN SPANISH INDUSTRY MINISTRY WHICH PLAYS LEADING ROLE IN ENERGY POLICY.

CHAVARRI'S CONTACTS THERE FEAR AN INCOMPATIBILITY BETWEEN THAT CHAPTER AND SPAIN'S LAWS ON INVESTMENT AND PETROLEUM EXPLORATION. VERY BRIEFLY: SPANISH LAWS FAVOR SPANISH COMPANIES, WHICH CHAPTER FIVE, IN THE VIEW OF INDUSTRY MINISTRY REPRESENTATIVES, COULD BE TAKEN TO REQUIRE A DEGREE OF FAVORITISM TO FOREIGN COMPANIES INCOMPATIBLE WITH THAT DOMESTIC LEGISLATION. EMBOFF WENT OVER SAME GROUND REPORTED IN MADRID 463. CHAVARRI TOLD EMBOFF HE MADE SAME POINTS IN LENGTHY INTERMINISTERIAL COMMITTEE MEETING HELD PREVIOUS DAY WHICH ATTENDED BY INDUSTRY (INCLUDING CAMPS) AND COMMERCE MINISTRY OFFICIALS. THESE OFFICIALS, ACCORDING TO CHAVARRI, WANT AVOID ANY IMPLICATION THAT SPAIN COULD FAVOR FOREIGNERS OVER SPANIARDS, OR CHANGE ITS DOMESTIC LEGISLATION TO SUIT FOREIGN INTERESTS. LAST MINUTE SCHEDULING DIFFICULTIES PREVENTED EMBASSY FROM DISCUSSING MATTER WITH INDUSTRY MINISTRY OFFICIALS. MATTER WILL BE PURSUED THERE AFTER CONCLUSION OF IEA/GB MEETING. IN RESPONSE TO EMBOFF QUESTION, CHAVARRI SAID HE NOT FAMILIAR WITH NAPHTHA PROBLEM (STATE 18883, PARA 4).

6. COMMENT: IT APPEARS TO EMBASSY THAT FOREIGN MINISTRY FAVORS IEA PROGRAM, BUT IS BEING OUTWEIGHED BY COMMERCE AND INDUSTRY REPRESENTATIVES. MORE GENERALLY, SPANISH ENERGY POLICY MECHANISM NOT YET FULLY DEVELOPED. PRESENCE OF CAMPSA AND COMMERCE MINISTRY REPRESENTATIVES REPORTED BY CHAVARRI IN GOS DELIBERATIONS ON IEA IS NEW. PREVIOUSLY ENERGY POLICY HANDLED ALMOST ENTIRELY IN DIRECTORATE GENERAL OF ENERGY IN MIN IND.

7. EMBOFF ALSO DELIVERED GIST OF STATE 12373 WHICH CHAVARRI CAREFULLY NOTED.
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